



STATE OF CALIFORNIA
CONSUMER POWER AND CONSERVATION
FINANCING AUTHORITY

901 "P" Street, Suite 142A
Sacramento, CA 95814
916.651.9750

MEMORANDUM

DATE: June 17, 2002

TO: California Power Authority Board of Directors

FROM: Staff

SUBJECT: *Action Item #2B) Independent Consulting Engineers*

Consideration and possible approval of a pool of firms to serve as Independent Consulting Engineer in support of California Power Authority ("CPA") projects and associated financings.

Action Requested

Board approval of the following, in accordance with Staff recommendation:

- Establishment of a pool of firms to serve as Independent Consulting Engineer for CPA projects and associated financings be established, consisting of:
 - R.W. Beck
 - Energy & Environmental Engineering
 - Navigant Consulting
 - EES Consulting
 - Stone & Webster Consultants
- Authorization to Staff to select individual firms from the pool for assignment to specific projects, programs, or enterprises, on a case by case basis, subject to review of General Counsel at time of proposed assignment, for potential conflict.

Discussion

Need for Independent Consulting Engineer. The CPA has been engaged in a process to select a set of firms to serve as Independent Consulting Engineer in support of CPA projects and associated financings. The selection of Independent Consulting Engineer(s), along with the previously approved bond counsel and pool of bond underwriters, will provide the CPA with the capability to act quickly when a project approaches the financing stage.

The primary role of an Independent Consulting Engineer is to perform project due diligence from a technical perspective. This could include, for example, a review of project design, a review of construction schedule and monitoring of construction

progress, a review of performance guarantees and tests, a review of commercial operation, a review of all contracts and agreements, and a review of all permits. In addition, the Independent Consulting Engineer will typically analyze the projected operational performance of a project using a financial model to demonstrate project viability to rating agencies. Finally, the Independent Engineer will publish a report detailing its findings for use by the CPA and the relevant financial agencies.

Staff Process to Identify and Select Pool Candidates. Staff issued a *Request for Qualifications and Proposals* (“RFQ/RFP”) for *Independent Engineer Consulting Services* on March 27, 2002. The RFQ/RFP was both posted on the CPA website and sent to all firms Staff was able to identify that were known to provide such services (a total of eight firms were identified). A total of fourteen responses were received prior to the response deadline of April 19th.

We requested information about firm qualifications (such as renewables experience and independent engineer capabilities), suggested approaches to certain project concepts, possible conflicts of interest and disclosure, and other issues. Responses were reviewed by CPA staff and the CPA’s financial advisor. The CPA also enlisted the assistance of representatives of the Sacramento Municipal Utility District with technical engineering and financing expertise to review the responses and provide feedback. After a thorough review and evaluation of the fourteen responses received, nine firms were selected for interviews.

Staff Recommendation. Based on the quality of responses that were received, the qualifications of the firms, and the demonstration of knowledge, experience and capability obtained during interviews, we recommend the following:

- That a pool of firms to serve as Independent Consulting Engineer for CPA projects and associated financings be established. The firms recommended for inclusion in the pool are as follows:
 - R.W. Beck
 - Energy & Environmental Engineering
 - Navigant Consulting
 - EES Consulting
 - Stone & Webster Consultants
- We plan to match individual firms in the pool to specific projects at the appropriate time.
- We recognize that there is possibility of conflicts. To address this issue, we intend to review any project assignments for conflicts. This will be the

responsibility of the CPA's General Counsel, and will be reviewed at the time of each project assignment.

Staff recommends approval.